

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6298**

**BILL NUMBER: SB 52**

**DATE PREPARED:** Feb 21, 2002

**BILL AMENDED:** Feb 21, 2002

**SUBJECT:** Various Tax Issues.

**FISCAL ANALYST:** John Parkey

**PHONE NUMBER:** 232-9854

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill implements the federal Mobile Telecommunications Sourcing Act, which provides that taxes, charges, and fees levied on wireless telephone service shall be paid to the jurisdiction where the customer's primary use of the service occurs, irrespective of where the wireless telephone service originates, terminates, or passes through. The bill makes conforming changes in the statutes concerning the sales tax on intrastate telecommunications service and the monthly emergency wireless enhanced 911 fee on wireless service. It specifies that implementation of the federal act does not authorize the imposition of new taxes, charges, or fees that are not otherwise authorized by law. It also authorizes a provider of wireless telephone service, in the absence of an electronic data base provided by the Department of State Revenue or another designated data base provider, to rely on enhanced ZIP codes for purposes of assigning customer addresses to taxing jurisdictions. The bill provides that "bundled" offerings of taxable and nontaxable wireless service are considered taxable unless the provider of the service provides information that supports the nontaxability of a part of those services.

This bill increases the total amount of sales tax increment financing distributions that an economic development district in the city of South Bend may receive to \$1,000,000 per year. The bill expands the purposes for which the money received by the district may be used to include expenses related to the acquisition of a commercial retail facility or demolition of commercial property.

**Effective Date:** August 1, 2002.

**Explanation of State Expenditures:** *Background Information on the Mobile Telecommunications Sourcing Act:* Implementing the federal Mobile Telecommunications Sourcing Act (MTSA) will conform Indiana to federal law and clarify the taxing jurisdiction of calls made from mobile telephones. Since Indiana does not tax interstate phone calls, the bill is not expected to have an impact on state Sales Tax revenue. However, if Indiana were to institute a sales tax on interstate calls in the future, the state would be required to adopt the provisions of MTSA in order to collect Sales Tax revenue on mobile phone calls made by Indiana

residents outside of the state.

As of September 4, 2001, 14 states have passed the legislation, and others are expected to address the legislation in their upcoming legislative sessions.

**Explanation of State Revenues:** (Revised) *South Bend Economic Development Project District:* This bill increases the amount the South Bend redevelopment commission may receive in Sales Tax increment financing. Under current law, these collections are limited to a total of \$1 M. This bill will allow the redevelopment commission to receive up to \$1 M of the incremental Sales Tax revenue generated within a specified redevelopment project district each year that is above the revenue generated in a base year, as determined by the Department of Revenue. The bill does not give the city the privilege to collect a Sales Tax.

Depending on local actions, the bill could decrease the amount of new revenue that the state would receive from increased Sales Taxes generated with the district. The overall impact of this provision on the state will be determined by local actions and the economic activity within the district. It is not known how much Sales Tax will be collected and transferred annually. The bill limits any transfer to \$1 M annually.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund ( 40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *South Bend Economic Development Project District:* If the South Bend redevelopment commission utilizes the incremental Sales Tax provisions in this bill, it could increase local revenue by up to \$1 M annually. The bill specifies that this revenue could only be used for: improvements related to roads, interchanges, and right-of-ways; certain acquisition and demolition costs; and for physical improvements to a property to enhance the commercial viability of the specified economic development project district.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** South Bend Economic Redevelopment Commission.

**Information Sources:** National Conference of State Legislatures, State Conformity to the Federal Telecommunications Sourcing Act; Jim Mundt, Legislative Liaison, Department of State Revenue, 232-8022.